

New Mexico Retiree Health Care Authority

Summary of Request for Employer/Employee Contribution Increase

Purpose

In 2007, actuaries projected NMRHCA's fund balance to be exhausted by FY2014. Action taken by NMRHCA's Board of Directors and the Legislature over the past five years has extended the fund through FY2029, an increase of 15 years. Increasing health care costs (especially in comparison to public payroll) require additional steps to ensure the plan's medium to long term viability. The NMRHCA Board of Directors has passed a five year strategic plan which, through a series of benefit reductions and employer/employee contribution increases, provides for a positive fund balance through FY2045.

Request

NMRHCA is requesting an increase to the level of contributions by employees (0.75%) and employers (1.50%) in accordance with the following schedule. All increases are deferred for one year with no general fund impact until FY2017.

Fiscal Year	Employee*	Increase	Employer*	Increase	Total
FY2013 (current)	1.00%		2.00%		3.00%
FY2014 (Inc. deferred)	1.00%		2.00%		3.00%
FY2015	1.25%	0.25%	2.00%		3.25%
FY2016	1.50%	0.25%	2.00%		3.50%
FY2017	1.75%	0.25%	2.50%	0.50%	4.25%
FY2018	1.75%		3.00%	0.50%	4.75%
FY2019	1.75%		3.50%	0.50%	5.25%

Cost

Employee

An employee making an annual salary of \$40,000 will have increased contributions of \$3.85 per biweekly period or \$100 annually for each of the affected three years. The total impact is \$11.54 per biweekly period or \$300 annually when fully implemented.

General Fund Impact

There is no general fund impact until FY2017 at which time employer contributions increase by 0.50% annually for three years. General fund impact each year will be approximately \$9.9 million with a total impact of \$29.6 million when fully implemented.

Impact

When fully implemented, proposed contribution changes will increase annual revenue to NMRHCA by approximately \$88.8 million. This, in combination with the remaining elements of NMRHCA Board of Director's Five Year Strategic Plan will provide for a positive trust fund balance through FY2045.

*Contribution levels for enhanced retirement plans use an increased contribution factor of 1.25 to account for shorter work time requirements and longer retirement periods.